

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Kuwait Cement Company

Kuwait Public Shareholding Company
and its Subsidiaries
State of Kuwait

Consolidated Financial Statements and Independent Auditors' Report
For the financial year ended 31 December 2021

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For the financial year ended 31 December 2021

Contents **Pages**

Independent Auditors' Report.	1-4
Consolidated Statement of Financial Position.	5
Consolidated Statement of Income.	6
Consolidated Statement of Comprehensive Income.	7
Consolidated Statement of Changes in Equity.	8
Consolidated Statement of Cash Flows.	9
Notes to the Consolidated Financial Statements.	10-43

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Independent Auditors' Report
To the Shareholders of Kuwait Cement Company K.P.S.C.
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwait Cement Company K.P.S.C. ("the Parent Company") and its subsidiaries (referred collectively as "the Group") which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs').

Basis of Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter, our description of how our audit addressed the matter is provided in that context.

Impairment of property plant and equipment and right-of-use leased assets

Property plant and equipment and right-of-use leased assets are carried in the statement of financial position at KD 131,497,904 and KD 3,491,077 respectively as at 31 December 2021. Primarily as a consequence of the ongoing Covid-19 pandemic, the operation incurred a loss for the year then ended which is an indicator of impairment. Accordingly, management has tested these assets for impairment.

The aforementioned impairment test is significant to our audit because the assessment of the recoverable amount requires management to apply significant judgements and make significant estimates. The determination of these judgements and estimates is further complicated by the effect of the ongoing Covid-19 pandemic. Management used the value in use method to assess the recoverable amount of the assets. The determination of the value in use requires that judgments and estimates be made concerning future cash flows, growth rates, future business prospects and associated discount rates. Accordingly, we consider this as a key audit matter.

Refer to note 5 of the consolidated financial statements for more details relating to this matter.

Report on the Audit of the Consolidated Financial Statements (Continued)

Key Audit Matters (Continued)

Impairment of property plant and equipment and right-of-use leased assets (Continued)

Our audit procedures included the following:

- We evaluated the design and implementation of relevant controls over the impairment process.
- Together with our internal valuation specialists, we assessed the group's valuation methodology applied in determining the recoverable amount, as well as the impact of the Covid-19 pandemic on the business, to determine if it was in compliance with the requirements of IFRSs;
- We discussed potential changes in key drivers with management in order to evaluate whether the inputs and assumptions used in the cash flow forecast were suitable;
- We re-performed the mathematical accuracy of the value in use calculation;
- We performed a sensitivity analysis of the value in use calculation; and
- We assessed the disclosures made in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Other Information

Management is responsible for the other information. The other information consist of information included in the Annual Report of the Group for the year ended 31 December 2021, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report of 2021 after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Report on the Audit of the Consolidated Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditors' Report (Continued)
To the Shareholders of Kuwait Cement Company K.P.S.C.
State of Kuwait

Report on the Audit of the Consolidated Financial Statements (Continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016 and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2021 that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our Audit, we have not become aware of any material violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations, as amended, during the year ended 31 December 2021, that might have had a material effect on the business of the Group or on its consolidated financial position.

Qais M. Al Nisf
License No. 38 "A"
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Kuwait: 20 March 2022

Kuwait Cement Company K.P.S.C.
And its Subsidiaries
State of Kuwait

شركة اسمنت الكويت ش.م.ك
KUWAIT CEMENT COMPANY

Consolidated Statement of Financial Position as at 31 December 2021

(All amounts are in Kuwaiti Dinars)

	Notes	2021	2020
Assets			
Non-current assets			
Property, plant and equipment	5	131,497,904	136,211,120
Intangible assets		10	10
Investment properties	6	770,641	770,641
Investments in associates	7	16,967,298	16,380,034
Financial assets at fair value through other comprehensive income	8	99,793,317	77,474,477
Right-of-use assets	9	3,491,077	3,989,802
		252,520,247	234,826,084
Current assets			
Inventories	10	11,553,886	13,330,333
Accounts receivable and other debit balances	11	13,593,252	15,704,653
Financial assets at fair value through profit or loss		5,814,900	-
Cash and cash equivalents	12	11,476,986	15,186,967
		42,439,024	44,221,953
Total assets		294,959,271	279,048,037
Equity and liabilities			
Equity			
Share capital	13	73,330,387	73,330,387
Share premium		26,675,810	26,675,810
Treasury shares	14	(13,546,935)	(13,546,935)
Profits on sale of treasury shares		441,409	441,409
Statutory reserve	15	48,270,703	48,270,703
Voluntary reserve	16	42,048,346	42,048,346
General reserve		18,930,128	18,930,128
Investments revaluation reserve		1,702,675	(14,590,317)
Group's share in associates' reserves		(10,612)	(176,209)
Group's share in foreign currency exchange reserve		107,854	107,677
Retained earnings / (accumulated losses)		4,140,643	(5,606,536)
Equity attributable to Shareholders of the Parent Company		202,090,408	175,884,463
Non-controlling interests		174,852	148,103
Total equity		202,265,260	176,032,566
Liabilities			
Non-current liabilities			
Loans, bank facilities and Murabaha	17	45,454,617	53,010,713
Provision for employees end of service indemnity		3,629,392	3,522,910
Lease liabilities	9	2,860,962	3,481,193
		51,944,971	60,014,816
Current liabilities			
Loans, bank facilities and Murabaha	17	18,351,507	20,530,142
Accounts payable and other credit balances	18	21,909,602	22,015,137
Lease liabilities	9	487,931	455,376
		40,749,040	43,000,655
Total liabilities		92,694,011	103,015,471
Total equity and liabilities		294,959,271	279,048,037

The accompanying notes form an integral part of these consolidated financial statements.

Rashed Abdulaziz Al-Rashed
Chairman

D. Abdul Aziz Rashid Al-Rashid
Vice Chairman

Kuwait Cement Company K.P.S.C.
And its Subsidiaries
State of Kuwait

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Consolidated Statement of Income for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars)

	Notes	2021	2020
Sales		51,005,836	42,465,225
Cost of sales	19	(50,154,064)	(54,444,578)
Gross profit / (loss)		851,772	(11,979,353)
Other operating income	20	449,687	261,864
Selling, general and administrative expenses		(3,702,806)	(3,660,777)
Operating loss		(2,401,347)	(15,378,266)
Provision for expected credit losses	11	(189,399)	(4,128,659)
Finance charges		(1,707,047)	(2,446,177)
Interest income		25,358	25,905
Net investment profits	21	788,033	2,656,230
Group's share in associates' business results	7	783,337	1,087,195
Net loss for the year		(2,701,065)	(18,183,772)
Attributable to:			
The Parent Company's Shareholders		(2,692,706)	(18,179,210)
Non-controlling interests		(8,359)	(4,562)
Net loss for the year		(2,701,065)	(18,183,772)
Basic and diluted loss per share (fils)	22	(3.78)	(25.50)

The accompanying notes form an integral part of these consolidated financial statements.

Kuwait Cement Company K.P.S.C.
And its Subsidiaries
State of Kuwait

شركة الاسمنت الكويتية
KUWAIT CEMENT COMPANY

Consolidated Statement of Comprehensive Income for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars)

	Note	2021	2020
Net loss for the year		(2,701,065)	(18,183,772)
Other comprehensive income / (loss) items			
Items that may be subsequently reclassified to the consolidated statement of income:			
Group's share in associates' reserves	7	165,597	(121,463)
Group's share in foreign currency exchange reserve		177	12,491
		165,774	(108,972)
Items that may not be subsequently reclassified to the consolidated statement of income:			
Changes in fair value of financial assets at fair value through statement of other comprehensive income		28,742,053	(11,461,247)
Total other comprehensive income / (loss) items for the year		28,907,827	(11,570,219)
Total comprehensive profit / (loss) for the year		26,206,762	(29,753,991)
Attributable to:			
The Parent Company's Shareholders		26,185,837	(29,734,632)
Non-controlling interests		20,925	(19,359)
		26,206,762	(29,753,991)

The accompanying notes form an integral part of these consolidated financial statements.

Kuwait Cement Company K.P.S.C.
And its Subsidiaries
State of Kuwait

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Consolidated statement of Changes in Equity for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company													
	Share capital	Share premium	Treasury shares	Profits on sale of treasury shares	Statutory reserve	Voluntary reserve	General reserve	Investments revaluation reserve	Group's share in associates' reserves	Group's share in foreign currency exchange reserve	Retained earnings / (Accumulated losses)	Total	Non-controlling interests	Total equity
Balance at 1 January 2020	73,330,387	26,675,810	(13,546,935)	441,409	48,270,703	42,048,346	18,930,128	(2,347,295)	(54,746)	95,186	15,320,862	209,163,855	163,843	209,327,698
Net loss for the year	-	-	-	-	-	-	-	-	-	-	(18,179,210)	(18,179,210)	(4,562)	(18,183,772)
Total other comprehensive (loss)/income items	-	-	-	-	-	-	-	(11,446,450)	(121,463)	12,491	-	(11,555,422)	(14,797)	(11,570,219)
Transfers on disposal of investments	-	-	-	-	-	-	-	(796,572)	-	-	796,572	-	3,619	3,619
The Group's share from the transferred to retained earnings in associates	-	-	-	-	-	-	-	-	-	-	20,108	20,108	-	20,108
Cash dividends (Note 24)	-	-	-	-	-	-	-	-	-	-	(3,564,868)	(3,564,868)	-	(3,564,868)
Balance at 31 December 2020	73,330,387	26,675,810	(13,546,935)	441,409	48,270,703	42,048,346	18,930,128	(14,590,317)	(176,209)	107,677	(5,606,536)	175,884,463	148,103	176,032,566
Balance at 1 January 2021	73,330,387	26,675,810	(13,546,935)	441,409	48,270,703	42,048,346	18,930,128	(14,590,317)	(176,209)	107,677	(5,606,536)	175,884,463	148,103	176,032,566
Net loss for the year	-	-	-	-	-	-	-	-	-	-	(2,692,706)	(2,692,706)	(8,359)	(2,701,065)
Total other comprehensive income items	-	-	-	-	-	-	-	28,712,769	165,597	177	-	28,878,543	29,284	28,907,827
Transfers on disposal of investments	-	-	-	-	-	-	-	(12,419,777)	-	-	12,419,777	-	5,270	5,270
The Group's share from the transferred to retained earnings in associates	-	-	-	-	-	-	-	-	-	-	20,108	20,108	-	20,108
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	554	554
Balance at 31 December 2021	73,330,387	26,675,810	(13,546,935)	441,409	48,270,703	42,048,346	18,930,128	1,702,675	(10,612)	107,854	4,140,643	202,090,408	174,852	202,265,260

The accompanying notes form an integral part of these consolidated financial statements.

Kuwait Cement Company K.P.S.C.
And its Subsidiaries
State of Kuwait

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Consolidated Statement of Cash Flows for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinars)

	Notes	2021	2020
Cash flows from operating activities			
Net loss for the year		(2,701,065)	(18,183,772)
Adjustments:			
Depreciation and amortization		5,669,244	8,985,932
Impairment losses of property, plant and equipment		-	8,143,628
Profits on disposal of property, plant and equipment		(3,284)	(8,734)
Provision for expected credit losses	11	189,399	4,128,659
Finance charges		1,707,047	2,446,177
Investment profits	21	(909,406)	(2,751,895)
Interest income		(25,358)	(25,905)
Group's share in associates' business results	7	(783,337)	(1,087,195)
Provision for employees end of service indemnity		106,482	(71,587)
Net operating profit before working capital changes		3,249,722	1,575,308
Inventories		1,776,447	3,098,714
Accounts receivable and other debit balances		1,922,002	7,634,406
Accounts payable and other credit balances		(67,052)	24,761
Net cash generated from operating activities		6,881,119	12,333,189
Cash flows from investing activities			
Paid for purchase of property, plant and equipment	5	(459,559)	(509,976)
Proceeds from sale of property, plant and equipment		5,540	13,298
Paid for purchase of intangible assets		-	(1,694)
Paid for purchase of financial assets at fair value through other comprehensive income		(19,114,654)	(4,039,135)
Paid for purchase of financial assets at fair value through profit or loss		(5,828,544)	-
Proceeds from sale of financial assets at fair value through other comprehensive income		25,543,137	4,328,766
Dividends received		1,304,828	3,133,674
Interest income received		25,358	25,905
Net cash generated from investing activities		1,476,106	2,950,838
Cash flow from financing activities			
Withdrawn from loans, bank facilities and Murabaha		19,000,000	16,500,000
Paid for loans, bank facilities and Murabaha		(28,712,990)	(19,678,232)
Finance charges paid		(1,571,374)	(2,307,009)
Lease liabilities paid		(729,122)	(591,778)
Dividend payments		(54,274)	(3,548,659)
Net change in non-controlling interests		554	-
Net cash used in financing activities		(12,067,206)	(9,625,678)
Net (decrease) / increase in cash and cash equivalents		(3,709,981)	5,658,349
Cash and cash equivalents at beginning of the year		15,186,967	9,528,618
Cash and cash equivalents at end of the year	12	11,476,986	15,186,967

The accompanying notes form an integral part of these consolidated financial statements.

1. Incorporation and activity

Kuwait Cement Company K.P.S.C. ("the Parent Company") is a Kuwaiti Public Shareholding Company incorporated as per the Amiri Decree issued on 5 November 1968. The Parent Company's shares were listed on Kuwait Stock Exchange on 29 September 1984.

The Parent Company's objectives are as follows:

1. Establishing a project for the production of ordinary cement, sulphate resisting portland cement and portland cement for industrial purposes and all kinds of cement at large.
2. Producing clinker material in all its different types, selling and exporting inside or outside the State of Kuwait.
3. Construction of factories and laboratories needed for achieving the Parent Company's objectives.
4. Dealing in all types of products, materials, tools and machinery relating to the Parent Company's activity and transferring them locally or abroad and importing and selling of aggregates inside or outside the State of Kuwait.
5. The Parent Company may have interests or participate in any suitable way with entities or companies conducting similar activities or which may assist it in achieving its objectives in Kuwait or abroad. It may as well acquire such entities or affiliate them, and participate in incorporation of real estate companies.
6. Utilize the financial surpluses available with the Parent Company by investing the same locally and internationally in financial and real estate portfolios with different types and purposes.
7. Investing the Company's funds by participating in incorporation of companies of all types and with different purposes and in investment funds, inside and outside the State of Kuwait.

The Parent Company's headquarters is located at Sharq, Al Sawaber area, Shuhada Street, Cement House, P.O. Box 20581, Safat 13066, State of Kuwait.

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries together referred to as "the Group".

Name of the Company:	Legal entity	Principal activity	Country of incorporation	Percentage of ownership (%) 2021	2020
Shuwaikh Cement Company	K.S.C.C.	Industrial	State of Kuwait	99.250	99.250
Amwaj Real Estate Company	K.S.C.C	Real Estate	State of Kuwait	96.000	96.000
Kuwait Cement Ready-mix Company	K.S.C.C	Industrial	State of Kuwait	99.844	99.844

The consolidated financial statements for the year ended 31 December 2021 were prepared using the audited financial statements of subsidiaries.

The subsidiaries' total assets amounted to KD 31,566,116 as at 31 December 2021 (31 December 2020: KD 31,664,874) and their net losses amounted to KD 1,121,462 for the year ended 31 December 2021 (31 December 2020: KD 3,241,891).

The consolidated financial statements for the year ended 31 December 2021 were authorized for issue by the Parent Company's Board of Directors on 20 March 2022 and are subject to the approval of the General Assembly of Shareholders.

2. Application of new and revised international financial reporting standards ("IFRSs")

a) New standards, interpretations and amendments effective from 1 January 2021

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021:

Interest Rate Benchmark Reform "phase two" amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16	The amendments enable entities to reflect the effects of transitioning from benchmark interest rates, such as interbank offer rates (IBORs) to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements. The amendments affect many entities and in particular those with financial assets, financial liabilities or lease liabilities that are subject to interest rate benchmark reform and those that apply the hedge accounting requirements in IFRS 9 or IAS 39 to hedging relationships that are affected by the reform. The amendments apply to all entities and are not optional. The amendments are effective for annual periods beginning on or after 1 January 2021 with early application permitted. The Group has no assets, liabilities nor derivative IBOR linked contracts.
Covid-19-Related Rent Concessions beyond 30 June 2021 [IFRS 16]	In May 2020 The International Accounting Standards Board (IASB) amends IFRS 16, which relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification, that applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. In March 2021, IASB extended the availability of the practical expedient to rent concessions for which any reduction in lease payments affects payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. This is the only change made to the practical expedient. - The amendments are effective for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted.

b) Standards and amendments issued but not yet effective

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17 Insurance Contracts	The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023.
Amendments to IAS 1	Classification of Liabilities as Current or Non-current The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.
Amendments to IFRS 3 Reference to the Conceptual Framework	The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same or earlier.
Amendments to IAS 16 *Property, Plant and Equipment—Proceeds before Intended Use*	The amendments are effective for annual periods beginning on or after 1 January 2022, with early application Permitted.

2. Application of new and revised international financial reporting standards ("IFRSs") (Continued)

b) Standards and amendments issued but not yet effective (Continued)

Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*	The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9 The amendment is effective for annual periods beginning on or after 1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies the amendment is effective for annual periods beginning on or after 1 January 2023
Amendments to IAS 8	Definition of accounting estimates The amendment is effective for annual periods beginning on or after 1 January 2023

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

3. Significant accounting policies

Following are the significant accounting policies adopted by the Group:

3.1 Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company and its subsidiaries. Control exists when the Parent Company has: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company losses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Company gains control until the date when Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

3. Significant accounting policies (Continued)

3.1 Basis of consolidation (Continued)

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is stated in the consolidated statement of income and is calculated as the difference between:

a) The aggregate of the fair value of the consideration received and the fair value of any retained interest
b) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in statement of other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets and liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in the consolidated statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised immediately in consolidated statement of income as profit.

Non-controlling interest in acquired subsidiary is measured either at the non-controlling interest's proportionate in the acquiree's identifiable net assets or at fair value of such interest. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e., the date when control commences) and the resulting gain or loss, if any, is recognised in the consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in the consolidated statement of comprehensive income are reclassified to consolidated statement of income where such treatment would be appropriate if that interest were disposed of.

3. Significant accounting policies (Continued)

3.1 Basis of consolidation (Continued)

Goodwill
Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses if any. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance.

Property, plant, and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

	Useful life
Buildings	5 - 50 years (2020: 5-27 years)
Machinery and equipment	7 - 50 years
Motor vehicles, computers & furniture	1-7 years

The asset's residual values, useful life and depreciation method is reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Should the estimated useful lives of a property, plant and equipment be changed, such lives are changed at beginning of the financial year of change without retroactivity.

The carrying amount of property, plant and equipment is reviewed at each statement of financial position date to determine whether there is any indication of impairment in this carrying value. If any such indication exists, an impairment loss is recognized in the consolidated statement of income, being the difference between carrying value and the asset's recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

The recoverable amount of asset is the greater of their fair value less costs to sell or the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

3. Significant accounting policies (Continued)

3.2 Property, plant and equipment (Continued)

Gains or losses on disposals are determined by the difference between the net sales proceeds and the net carrying amount of the asset and is recognised in the consolidated statement of income.

Work in progress is included in property, plant and equipment in the consolidated statement of financial position until they are completed and ready for their intended use, at that time, they are reclassified under similar assets and the depreciation commences.

3.3 Intangible assets

Intangible assets with definite life, which are separately acquired, are carried at cost less accumulated amortization and impairment losses if any. Amortization is charged on a straight-line basis over the estimated useful lives.

The useful live and amortization methods are reviewed at the end of each financial year. Changes in estimations are accounted for as at the beginning of the financial year in which the change occurred.

Intangible assets with indefinite life, which are separately acquired, are carried at cost less impairment losses, if any.

Intangible assets are removed on disposal or when it is proved that there will not be any future benefit resulting from use of these assets. The profit or loss resulting from disposal are measured by the difference between the net proceeds and carrying value of the disposed asset and are then recorded in the consolidated statement of income.

3.4 Investment properties

Property that is held for long-term lease terms or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment properties are initially measured at cost, including transaction costs. Transaction costs include professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Investment property is recorded at cost less impairment in value, if any. Land is not depreciated. Building is depreciated using the straight line method over its estimated useful lives of 10-20 years.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses on the disposal of investment property are determined as the difference between the carrying amount and the net disposal proceeds. Any gains or losses on the retirement or disposal of investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in the use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

3. Significant accounting policies (Continued)

3.5 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture.

Any change in statement of other comprehensive income of those investees is presented as part of the Group's comprehensive statement of income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.
Unrealized profits and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the Group's share of results of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At the date of each consolidated financial statements, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Impairment of an associate and a joint venture' in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in consolidated statement of income.

3. Significant accounting policies (Continued)

3.6 Impairment of tangible and intangible assets other than goodwill

The tangible and intangible assets are reviewed annually to determine whether there is any indication that those assets have suffered impairment in value. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The net recoverable amount is determined at the higher of an asset's fair value less costs to sell or value in use.

Impairment losses are recognised in the consolidated statement of income for the year in which they arise. When an impairment is written back, the impairment is reversed to the extent of net carrying amount of the asset if no impairment was recognised.

A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

3.7 Financial instruments

A financial asset or liability is recognised when the Group becomes a party to the contractual provisions of such instrument.

All regular way purchases and sales of financial assets are recognized using trade date accounting. Changes in fair value between the trade date and settlement date are recognized in the consolidated statement of income or in the consolidated statement of profit or loss and other comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by laws or conventions in the market place.

A financial asset (in whole or in part) is de-recognised when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset. A financial liability is derecognized when the Group's obligation specified in the contract is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same creditor on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability.

All financial assets are initially measured at fair value. Transaction costs are added to the cost of all financial instruments except for financial assets classified at fair value through profit or loss. Transaction costs on financial assets carried as investments at fair value through profit or loss are recognised in the consolidated statement of income.

Classification and measurement of the financial assets and liabilities

Financial assets
The Group determines classification and measurement category of financial assets based on a combination of the entity's business model for managing the assets and the instrument's contractual cash flow characteristics except for equity instruments and derivatives.

3. Significant accounting policies (Continued)

3.7 Financial instruments (Continued)

Financial assets (Continued)

Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Group's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Contractual cash flow assessment
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and to sell the financial instrument, the Group assesses whether the financial instrument's cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of 'interest' within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and interest margin. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Financial assets are classified into following categories under IFRS 9:

- Amortized cost
- Fair value through statement of other comprehensive income
- Fair value through statement of profit or loss

Amortized cost
The Group classifies financial assets at amortized cost if they meet the following conditions and is not designated at fair value through profit or loss:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method adjusted for impairment losses, if any. Interest income, foreign exchange gains/losses and impairment are recognised in the consolidated statement of profit or loss. Any gain or loss on derecognition is recognised in the consolidated statement of income.

3. Significant accounting policies (Continued)

3.7 Financial instruments (Continued)

Financial assets (Continued)

Fair value through statement of other comprehensive income
Equity instruments carried at fair value through the statement of other comprehensive income
Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as at fair value through other comprehensive income if they meet the definition of Equity under IAS 32 Financial Instruments: Presentation, and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Equity instruments carried at fair value through other comprehensive income are subsequently measured at their fair value. Changes in fair value including foreign exchange gains and losses are recognised in other comprehensive income. Dividends are recognized in consolidated statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments carried at fair value through other comprehensive income are not subject to an impairment assessment.

- Upon disposal, cumulative gains or losses are reclassified from other comprehensive income to retained earnings in the consolidated statement of changes in equity.

Fair value through statement of profit or loss
Financial assets whose business model is to acquire and sell, or whose contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are classified through fair value through profit or loss.

In addition to the above, on initial recognition, the Group may irrevocably classify a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as carried at fair value through profit or loss. If doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets carried at fair value through profit or loss are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the consolidated statement of income. Interest income and dividends are recognised in the consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

Foreign exchange gains and losses
The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Impairment of financial assets
The Group applied the simplified approach and measure the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off accounts receivable when there is information indicating that the debtor is in financial difficulties and there is no realistic prospect of recovery, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

3. Significant accounting policies (Continued)

3.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The Group applies the general approach to providing for expected credit losses prescribed by IFRS 9, for financial instruments in cash and bank balances. The Group uses external rating agency credit grades for assessing credit risk on these financial assets and these published grades are continuously monitored and updated.

Financial liabilities and equity instruments

Classification as debt or equity
Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities
All financial liabilities are subsequently measured at amortised cost using the effective interest rate method or fair value through statement of income.

Financial liabilities subsequently measured at amortised cost
Financial liabilities that are not classified under the following items, are subsequently measured at amortized cost using the effective interest method:
- Contingent cash consideration in a business combination;
- Held for trading;
- Classified at fair value through statement of income.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses
For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in statement of income for financial liabilities that are not part of a designated hedging relationship.

3. Significant accounting policies (Continued)

3.7 Financial instruments (Continued)

Financial liabilities (Continued)

Offsetting
Financial assets and financial liabilities are only offset, and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis or realize the asset and settle the liability simultaneously.

3.8 Inventories

Inventories are held at lower of cost and net realisable value. Raw materials cost is determined on a weighted average cost basis. The cost of finished goods and goods in process includes direct materials, direct labor and fixed and variable manufacturing overhead and other costs incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling prices less all the estimated costs to make the sale.

3.9 Employees' end of service indemnity

The Group is liable under Kuwait Labor Law to make payments under defined benefit plans to employees at termination of employment. Regarding non-Kuwaiti employees in other countries; the indemnity is calculated based on law identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. This liability is un-funded and is computed based on amount payable that would arise on involuntary termination of all employees on the consolidated financial statements date. The management expects this method to produce a reliable approximation of the present value of the Group's liability.

3.10 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

3.11 Treasury shares

Treasury shares represent the Company's own shares that have been issued, subsequently purchased by the Group and were not reissued or cancelled till the consolidated financial statements date. Treasury shares are accounted for using the cost method, where the total cost of the shares acquired is reported as a contra account within equity. When the treasury shares are disposed; gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realized losses are charged to the same account in the limit of its credit balance, any additional losses are charged to retained earnings and then to reserves then to share premium. Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

3.12 Foreign currency

Functional and presentation currency
Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Kuwaiti Dinars ("KD").

3. Significant accounting policies (Continued)

3.12 Foreign currency (Continued)

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the consolidated financial statements date.

Foreign exchange profits and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income.

Group's companies

The results and financial position of all the Group's companies that have a functional currency different from the presentation currency (except those companies that operate in countries with high inflation rate) are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated financial statements;
- Income and expenses for each consolidated statement of income are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of the statement of equity.

3.13 Revenue recognition

Revenues from contracts with customers are recognized when the entity meets performance obligation through transferring the promised goods or services to the customer. Such goods or services are considered transferred when the customer has control over these goods or services at point in time or over time. Revenues are measured at the consideration expected to be received by the entity having the right to do so against transferring the promised good or service to the customer, except for the amounts collected on behalf of third parties. The consideration promised in a contract with the customer includes fixed or variable amounts or both of them.

Group's revenue streams arise from the following activities:

Sale of goods

Revenue from sale of goods is recognized at a point in time when the entity meets a performance obligation and when control over the goods is transferred to the customer. Control is transferred at the point in time the customer takes undisputed delivery of the goods. Delivery occurs when the goods, which have been previously purchased by the customer, are shipped to the specific location and the risks of obsolescence and loss have been transferred to the customer. This represents the point at which the right to collect outstanding receivables becomes unconditional, i.e., such amounts are due directly when the purchase is made.

Dividends income

Dividend income is recognized when the Group's right to receive payment is established.

Interest income

Interest income is recognized on time proportion basis using the effective interest method.

Leases

Rental income on operating leases is recognised over the term of the lease on a straight-line basis.

Other income

Other income and expenses are recognized at point in time or over time, once such service is rendered or upon completing the service according to its nature.

3. Significant accounting policies (Continued)

3.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.15 Government grants

The government grants are recognized when there is a reasonable assurance that the grant will be received, and all accompanied conditions will be fulfilled. When the grant relates to an expense item, it is deducted from the related expenses on a systematic basis over the periods that the related costs, for which it is intended to compensate. When the grant relates to an asset, it is recognized as revenues at equal amounts over the expected useful life of the related asset.

When the Group receives grants from non-cash assets, the asset and grant are recognized at the nominal values and are released yearly in equal installments on the profits or losses over the expected useful life of the asset based on the depreciation pattern of the related asset's features.

3.16 Accounting for leases

When the Group is the lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right of use asset and a corresponding lease liability at the date on which the lessor makes the asset available for use by the Group (the commencement date).

On that date, the Group measures the right of use at cost, which comprises of:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received.
- any initial direct costs; and
- an estimate of costs to be incurred to restoring the underlying asset to the condition required by the terms and conditions of the lease as a consequence of having used the underlying asset during a particular period; this is recognised as part of the cost of the right of use asset when the Group incurs the obligation for those costs, which may be at the commencement date or as a consequence of having used the asset during a particular period.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. On that date, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- variable lease payment that are based on an index or a rate.
- amounts expected to be payable by the lessee under residual value guarantees.
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

3. Significant accounting policies (Continued)

3.16 Accounting for leases (Continued)

When the Group is the lessee (Continued)

Payments associated with short term leases and leases of low-value assets are recognized on a straight-line basis as an expense in consolidated statement of income.

Whenever the Group incurs an obligation for costs to remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Subsequent measurement

Generally, in order for reclassification to be made, the Group, after the commencement date, measures the right-of-use asset at cost less accumulated depreciation and impairment losses. The depreciation is calculated on a straight-line basis over the shorter of the asset's estimated useful life or the lease term. The Group determines whether a right of use asset is impaired and recognizes any impairment loss identified in the statement of income. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss (Note 3.6).

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the consolidated statement of income over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

For a contracts that contain a lease component and one or more additional lease or non-lease components, the lessor shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. Significant accounting policies (Continued)

3.16 Accounting for leases (Continued)

When the Group is the lessor
Leases in which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the lease is classified as a finance lease.

All other leases are classified as operating leases.
Rental income from operating leases is recognised on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised on a straight-line basis over the lease term.

When a lease includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the lease to each component.

3.17 Dividends

Dividend distribution to the Company's shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the Shareholders.

3.18 Financial risk management

Financial risk
The activities of the Group expose it to a set of financial risks, which are market risk, which include (foreign currency risk and risks of change in fair value resulting from the change in interest rates, and risks of fluctuations in cash flows resulting from the change in interest rates, and price risk) in addition to credit risk and liquidity risk.

The Group's management for these financial risks is concentrated in the continuous evaluation of market conditions and trends and the management's assessment of the changes to long and short-term market factors.

a) Market risk

Market risk, comprising of foreign exchange risk, interest rate risk and equity price risk arises due to movements in foreign currency rates, interest rates and market prices of assets.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will be affected as a result of changes in foreign currency exchange rates.

The Group is exposed to foreign currency risk resulting primarily from dealing with financial instruments in US Dollar. The foreign currency risk results from future transactions and from the assets and liabilities denominated with different currency other than the functional currency. The Group has set policies to manage foreign currency risk represented in close monitoring of the change in currency rate, in addition to monitoring the effect of such changes on the financial position of the Group. Also, the use of hedging instruments to cover for the exchange rate risk of some foreign currencies over the year.

3. Significant accounting policies (Continued)

3.18 Financial risk management (Continued)

Financial risk (Continued)

a) Market risk (Continued)

Foreign currency risk (Continued)

The Group is exposed to foreign currency risk resulting primarily from translation of assets and liabilities in foreign currency such as cash and cash equivalents, payables, loans, bank facilities and Murabaha.

The following is the value of net positions of US Dollar as at the consolidated financial statements date:

	2021	2020
Net positions of US Dollar	(2,934,446)	(4,917,554)

In case the US Dollar decreases / increases by 5% against the Kuwait Dinar, while all other variables are held constant, the Group's net profits will increase/decrease by KD 146,722 for the year ended 31 December 2021 (31 December 2020: KD 245,878).

Price risk
The Group is exposed to price risk through its investments classified in the consolidated financial statements as financial assets at fair value through other comprehensive income.

The Group manages this risk by diversifying its investments on the basis of pre-determined asset allocation across various categories, continuous appraisal of market conditions and trends and management's estimate of long term changes in fair value. In addition, the Group keeps its investments at specialised investment companies which manage these investments.

The Group monitors the management of the investment portfolios through monthly periodic reports provided by the portfolio managers of these portfolios and takes the necessary actions when required to minimise the expected market risk of these investments.

The table below summarizes the impact of the decrease in the Kuwait Stock Exchange "KSE" index on the consolidated statement of comprehensive income. This analysis is based on the assumption that the KSE changes by ±5% with all other variables held constant.

	Effect on the consolidated statement of comprehensive income	
	2021	2020
Financial assets at fair value through other comprehensive income	3,966,271	2,983,694
Financial assets at fair value through profit or loss	290,745	-

3. Significant accounting policies (Continued)

3.18 Financial risk management (Continued)

Financial risk (Continued)

a) Market risk (Continued)

Cash flow and fair value fluctuation risk resulting from the change in interest rate:
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate.
As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are independent of interest rate risks.

The Group's interest rate risk arises from long-term borrowings. The Group has floating and fixed interest bearing loans.
Financial instruments with fixed interest rates expose the Group to fair value interest rate risks. Financial instruments with variable interest rates expose the Group to the risk of fluctuations in cash flows resulting from the change in interest rates.

The Group analyses its interest rate exposure on a dynamic basis. Available scenarios are considered by the Group, taken into consideration the ability for refinancing and renewal of existing and alternative borrowings.

At 31 December 2021, if the interest rate on US Dollar borrowings, bank facilities, and Murabaha had been at 0.20% higher, with all other variables held constant, net profits for the year would have been lower of KD 5,257 (31 December 2020: KD 7,073).

b) Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument leading to financial loss.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party and to monitor the collection of the debit balances on an ongoing basis. The Group limits its credit risk with regard to bank balances by only dealing with reputable banks. In addition, debit balances are monitored on an ongoing basis. Accordingly, the Group's exposure to bad debts is insignificant.

The table below details the credit rating of the financial assets and contract assets and the maximum exposure to the credit risk:

		31 December 2021					
		Credit rating					
	Notes	Internal	External	Calculation method	Total amount	Credit losses	Net carrying value
Cash and cash equivalents	12	Regular (i)	A1/Baa2	12 months	11,476,986	-	11,476,986
Accounts receivable and other debit balances (excluding prepaid expenses)	11	(ii)	-	Lifetime	20,883,594	(7,478,409)	13,405,185

		31 December 2020					
		Credit rating					
	Notes	Internal	External	Calculation method	Total amount	Credit losses	Net carrying value
Cash and cash equivalents	12	Regular (i)	A1/Ba a2	12 months	15,186,967	-	15,186,967
Accounts receivable and other debit balances (excluding prepaid expenses)	11	(ii)	-	Lifetime	22,887,353	(7,310,882)	15,576,471

3. Significant accounting policies (Continued)

3.18 Financial risk management (Continued)

Financial risk (Continued)

b) Credit risk (Continued)

(i) Although cash and cash equivalents are subject to impairment testing in accordance with IFRS 9, the impact of expected credit losses is immaterial.

(ii) The Group has applied the simplified approach of IFRS 9 to measure the lifetime ECLs for receivables and other debit balances. The Group determines the expected credit losses on these items by using a provision matrix estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Set out below is the information about the credit risk exposure on trade receivables and other debit balances:

	31 December 2021		
	Gross carrying amount at default	Average expected credit losses rate	Lifetime ECLs
Aging			
Less than 30 days	4,930,499	3.24%	159,559
30 to 60 days	1,245,659	4.32%	53,780
61 to 90 days	1,227,817	5.92%	72,687
91 to 180 days	2,453,850	27.81%	682,376
More than 180 days	10,741,900	60.60%	6,510,007
	20,599,725		7,478,409

	31 December 2020		
	Gross carrying amount at default	Average expected credit losses rate	Lifetime ECLs
Aging			
Less than 30 days	5,518,944	2.67%	147,335
30 to 60 days	1,350,037	3.12%	42,099
61 to 90 days	1,069,078	5.90%	63,101
91 to 180 days	2,138,587	19.62%	419,696
More than 180 days	12,043,510	55.12%	6,638,651
	22,120,156		7,310,882

c) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

3. Significant accounting policies (Continued)

3.18 Financial risk management (Continued)

c) Liquidity risk (Continued)

The ultimate responsibility of managing the liquidity risk is kept with the board of directors. The Group manages the liquidity by keeping appropriate reserves and obtaining bank credit facilities. As well as it continuously monitors the expected and actual cash flows and a comparison of maturity dates of financial assets and liabilities.

The following are the maturity dates of undiscounted financial liabilities of the Group as of 31 December:

	2021		
	Within one year	**More than one up to three years**	**More than three years**
Loans, bank facilities and Murabaha	19,980,046	42,932,917	5,616,393
Accounts payable and other credit balances (excluding advances)	17,667,382	-	-
Lease liabilities	722,345	1,570,310	2,590,078

	2020		
	Within one year	**More than one up to three years**	**More than three years**
Loans, bank facilities and Murabaha	22,139,530	53,871,530	3,006,726
Accounts payable and other credit balances (excluding advances)	20,544,749	-	-
Lease liabilities	738,268	1,428,210	3,092,415

3.19 Capital risks

The Group manages its capital to ensure that the Group's companies will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt (loans, bank facilities and Murabaha offset by cash and cash equivalents) and equity. The Group aims to keep gearing ratio to total capital ranging from 20% to 30% determined as the proportion of net debt to total capital.

The following shows the net debt to total capital as at 31 December:

	2021	**2020**
Total loans, bank facilities and Murabaha	63,806,124	73,540,855
Less: Cash and cash equivalents	(11,476,986)	(15,186,967)
Net debt	52,329,138	58,353,888
Total equity attributable to shareholders of the Parent Company	202,090,408	175,884,463
Total capital	254,419,546	234,238,351
Net debt to total capital ratio (%)	20.57%	24.91%

3. Significant accounting policies (Continued)

3.20 Fair value estimation

The fair values of financial assets and liabilities are estimated as follows.

- Level 1: Quoted prices in active markets for quoted financial instruments.
- Level 2: Quoted prices in active markets for similar instruments. Quoted prices in inactive markets for similar assets or liabilities. Valuation techniques based on observable inputs other than quoted prices of financial instruments.
- Level 3: Inputs for the asset or liabilities that are not based on observable market data.

The table below gives information about how the fair values of the financial assets and liabilities are determined:

Financial assets	Fair value As at 31 December 2021	Fair value As at 31 December 2020	Fair value level	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets at fair value through other comprehensive income:						
Quoted securities	79,325,423	59,673,883	First	Last bid price	None	None
Funds and portfolios	12,561,296	12,197,570	Second	Net asset value	None	None
Unquoted securities	7,906,598	5,603,024	Three	Based on the revised NBV or on the basis of the last transactions	Discount adjustments	The higher the discount rate the lower the value
Financial assets at fair value through profit or loss:						
Quoted securities	5,814,900	-	First	Last bid price	None	None

The fair value of other financial assets and liabilities are approximately equal to its carrying value at the date of consolidated financial statements.

4. Significant accounting judgments and estimation uncertainty

In the application of the Group's accounting policies, the management are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period of the revision and future periods if the revision affects both current and future periods. The following are the assumptions concerning the future, that may result in a significant risk of causing material adjustments to the assets and liabilities within the next financial years.

Accounting judgements

In the process of applying the Group's accounting policies, management has made the following significant judgments, which have significant effect on the amounts recognised in the consolidated financial statements:

4. Significant accounting judgments and estimation uncertainty (Continued)

Accounting judgements (Continued)

Revenue recognition
Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Determination whether matching the criteria of revenue recognition in accordance with IFRS 15 and the policy of revenue recognition disclosed in Note No. (3.13) require significant judgments.

Classification of investments in equity instruments - IFRS 9
On acquisition of an investment, the Group decides whether it should be classified as "at fair value through the statement of income" or "at fair value through other comprehensive income". The Group follows the requirements of IFRS 9 on classifying its investments. The Group has classified all investments in equity instruments as at fair value through other comprehensive income.

Determining the lease term with renewal and termination options - when the Group is the lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Under certain leases, the Group has the option to lease the assets for additional periods. The Group uses judgments to assess whether the option will be reasonably certain practiced. That is, it considers all the relevant factors that provide an economic incentive to exercise the renewal option. Subsequent to the commencement of lease, the Group revalues the lease term if there is a significant event or change in circumstances that falls within the scope of Group's control and affects its ability to exercise (or not exercise) the renewal option (such as a change in the business strategy).

Discounting of lease payments
The lease payments are discounted using the incremental borrowing rate ("IBR"). At initial adoption of IFRS 16 "Leases", the management has applied judgments and estimates to determine the incremental borrowing rate.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial statements date, that have a significant risk of causing a material adjustment to the accounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets
The Group reviews the carrying amounts of its non-financial assets to determine whether there is any objective evidence that those assets have suffered an impairment loss in accordance with accounting policies. The recoverable amount of an asset is determined based on higher of fair value and value in use. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

4. Significant accounting judgments and estimation uncertainty (Continued)

Estimation uncertainty (Continued)

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and the related depreciation for property, plant and equipment. Group's management increased the depreciation charge where the useful lives are lower than previously estimated lives. The Group eliminates or writes down obsolete or non-strategic assets which have been disposed or sold.

During the current year, the estimated useful lives of buildings, which previously ranging from 5 - 27 years, have been increased to be from 5 - 50 years as average. This results in a decrease in the depreciation amount allocated to the value of inventory by KD 258,669 as at 31 December 2021 and decrease in the depreciation amount allocated to cost of sales by KD 1,234,523 for the year ended 31 December 2021.

Fair value measurement and valuation techniques

Certain assets and liabilities of the Group are measured at fair value for the purposes of preparing the consolidated financial statements. Group management determines the main appropriate techniques and inputs required for measuring the fair value. In determining the fair value of assets and liabilities, management uses observable market data as appropriate. Information regarding the required valuation techniques and inputs used to determine the fair value of assets and liabilities is disclosed in (Note 3.20).

Impairment of financial assets

The Group assesses whether the credit risk associated with financial assets and other items has increased substantially since the initial recognition in order to determine whether the expected credit loss for the 12-month period or expected credit loss over the lifetime of the financial instrument should be recognized (Note 3.18).

Contingent liabilities

Contingent liabilities arise as a result of past events confirmed only by the occurrence or non-occurrence of one or more of uncertain future events that are not included in full within control of the Group. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated.

The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

5. Property, plant and equipment

	Land and buildings	Machinery and equipment	Motor vehicles, computers & furniture	Projects in progress	Total
Cost					
At 1 January 2020	57,080,197	209,941,511	17,475,051	2,688,409	287,185,168
Additions	74,257	286,755	6,935	142,029	509,976
Transfers	13,469	68,681	-	(82,150)	-
Disposals	(3,450)	(6,310)	(26,766)	-	(36,526)
Exchange differences	19,070	48,369	5,275	31,351	104,065
At 31 December 2020	57,183,543	210,339,006	17,460,495	2,779,639	287,762,683
Additions	15,755	43,993	11,194	388,617	459,559
Transfers	434,413	2,211,505	-	(2,645,918)	-
Disposals	-	(5,942)	(20,344)	-	(26,286)
At 31 December 2021	57,633,711	212,588,562	17,451,345	522,338	288,195,956
Accumulated depreciation					
At 1 January 2020	29,895,589	97,605,912	7,422,043	-	134,923,544
Charged for the year	2,099,346	5,209,612	1,143,713	-	8,452,671
Disposals	(2,394)	(6,106)	(23,462)	-	(31,962)
Impairment losses	-	8,143,628	-	-	8,143,628
Exchange differences	12,950	45,643	5,089	-	63,682
At 31 December 2020	32,005,491	110,998,689	8,547,383	-	151,551,563
Charged for the year	1,002,765	3,167,006	1,000,748	-	5,170,519
Disposals	-	(5,940)	(18,090)	-	(24,030)
At 31 December 2021	33,008,256	114,159,755	9,530,041	-	156,698,052
Net carrying value					
At 31 December 2021	24,625,455	98,428,807	7,921,304	522,338	131,497,904
At 31 December 2020	25,178,052	99,340,317	8,913,112	2,779,639	136,211,120

All property, plant and equipment located on a land leased from the State Properties under leases for a term of five years ending 2024 and 2025.

Depreciation has been charged to the consolidated statement of income as follows:

	2021	2020
Cost of sales	5,122,320	8,382,551
Selling, general and administration expenses	48,199	70,120
	5,170,519	8,452,671

The Group has studied the impairment of property, plant and equipment and right of use assets based on the value in use method. Value in use represents the present value of future cash flows. The Group's management concluded, based on the study, that the recoverable amount exceeds the carrying value of those assets as at 31 December 2021. The following assumptions were used when determining the value in use:

5. Property, plant and equipment (Continued)

Basic assumption	The basis used to determine the value for the basic assumption
The period of covering financial budgets "years"	5 years
The Long-term growth rate	2% per annum
Discount Rate	6% - 6.7% per annum

The Group's management recorded impairment losses of the machinery and equipment of the old factory of KD Nil in 2021 (2020: KD 8,143,628) due to technical obsolescence according to the estimates of internal experts based on technical studies.

6. Investment properties

	2021	2020
Cost		
As at 1 January and 31 December	1,989,744	1,989,744
Accumulated depreciation		
As at 1 January and 31 December	1,219,103	1,219,103
Carrying amount	770,641	770,641

Fair value of the Group's investment properties was reached to as at 31 December 2021 based on the valuation done on that date by independent valuers who are not related to the Group. Those valuers are licensed by the official bodies, and they have qualifications and latest experience in valuation of properties at these locations. Fair value of investment properties classified based on comparable market prices which reflect prices of recent transactions for similar real estates. To estimate the value of such real estates, it has been supposed that the current usage for the real estates is the best usage for the same.

Details of real estate investments of the Group and information about the fair value hierarchy as at 31 December are as follows:

	Level 2	Fair value 2021	Fair value 2020
Investment properties	3,592,550	3,592,550	3,770,000

There have been no transfers between levels during the year.

7. Investments in associates

Name of the associate	Country of Incorporation	Voting capital and ownership interest %	Carrying amount 2021	Carrying amount 2020	Measurement method
Kuwait Rocks Co. K.S.C.C. (Under Liquidation)	State of Kuwait	30.00	-	-	Equity
Contracting and Marine Services Company (K.S.C.C.)	State of Kuwait	33.39	16,967,298	16,380,034	Equity
			16,967,298	16,380,034	

7. Investments in associates (Continued)

Movement on investment in associates was as follows:

	2021	2020
Balance at beginning of the year	16,380,034	15,775,973
Group's share in associates' business results	783,337	1,087,195
Group's share in associates' reserves	165,597	(121,463)
Group's share from the transfer to the retained earnings	20,108	20,108
Cash dividends received	(381,778)	(381,779)
	16,967,298	16,380,034

Summarized financial information in respect of the significant associates is as follows: The summarized financial information below represents the amounts shown in the latest financial information available to those associates, which has been prepared in accordance with International Financial Reporting Standards:

Contracting and Marine Services Company:

	2021 Unaudited financial information for the period ended 30 September	2020 Unaudited financial information for the period ended 30 September
Assets	410,354,784	407,122,274
Liabilities	311,667,658	310,800,501
Non-controlling interests	47,875,113	47,268,442
Revenues	85,495,436	126,790,230
Net profit for the period attributable to shareholders of the Parent Company	2,345,861	3,255,825
Other comprehensive income items for the period	556,131	(303,530)
Total comprehensive income	2,901,992	2,952,295

8. Financial assets at fair value through other comprehensive income

	2021	2020
Quoted securities	79,325,423	59,673,883
Unquoted securities	7,906,598	5,603,024
Funds and portfolios	12,561,296	12,197,570
	99,793,317	77,474,477

The fair value of financial assets at fair value through other comprehensive income was determined based on valuation levels mentioned in Note (3.20).

The quoted financial assets include financial assets of KD 37,050,881 as at 31 December 2021 in the shares of National Industries Group Holding K.S.C. (Public), which is one of the major shareholders in the Group (31 December 2020: 25,075,898).

8. Financial assets at fair value through other comprehensive income (Continued)

An analysis of the Group's financial assets at fair value through other comprehensive income along with currencies as at 31 December:

	2021	2020
KD	84,608,046	64,076,074
USD	11,991,729	10,661,373
EUR	1,897,160	1,449,714
GBP	893,572	995,186
AED	402,810	292,130
	99,793,317	77,474,477

9. Leases

The Group as a lessee

The Group leases plot of lands. Leases typically run for a period of five years, with an option to renew the lease after that date.

Lease payments are renegotiated every five years to reflect market rentals. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Set out below, are the carrying amounts of the Group's right-of-use assets and the movement during the year:

	2021	2020
Cost		
As at 1 January and 31 December	4,987,252	4,987,252
Total amortization		
As at 1 January	(997,450)	(498,725)
Amortization expenses	(498,725)	(498,725)
As at 31 December	(1,496,175)	(997,450)
Net carrying amount	3,491,077	3,989,802

Below are the amounts recognised in consolidated statement of income:

	2021	2020
Amortization expenses of right-of-use assets	498,725	498,725
Interest expenses on lease liabilities	141,446	154,834
Expenses relating to short-term leases (production cost)	417,194	454,952
Expenses relating to short-term leases (general and administrative expenses)	45,855	32,625
	1,103,220	1,141,136

Lease liabilities

Lease liabilities are grouped in the consolidated statement of financial position as follows:

	2021	2020
Lease liabilities - non-current portion	2,860,962	3,481,193
Lease liabilities - Current portion	487,931	455,376
	3,348,893	3,936,569

9. Leases (Continued)

Movement in lease liabilities during the year is as follows:

	2021	2020
Balance at beginning of the year	3,936,569	4,373,513
Lease liabilities paid	(729,122)	(591,778)
Interests of lease liabilities	141,446	154,834
	3,348,893	3,936,569

The Group as a lessor

The Group leases out its investment property consisting of its owned commercial properties. All leases are classified as operating leases from a lessor perspective.

The rental income recognized by the Group for the year ended 31 December 2021 was KD 90,074 (31 December 2020: KD 115,933).

10. Inventories

	2021	2020
Raw materials	10,304,810	12,648,642
Finished goods	663,034	681,691
Spare parts	586,042	-
	11,553,886	13,330,333

11. Accounts receivable and other debit balances

	2021	2020
Amounts under collection at banks	-	261,731
Receivables against unconditional bank guarantees	2,536,949	3,153,186
Ministry of Commerce – difference from subsidizing cement and ready made concrete to the public	1,011,370	327,606
Related parties (Note 25)	325,385	559,777
Other trade receivables	14,635,883	15,901,300
Total trade receivables	18,509,587	20,203,600
Other receivables	2,090,138	1,916,556
	20,599,725	22,120,156
Provision for expected credit losses	(7,478,409)	(7,310,882)
	13,121,316	14,809,274
Prepaid expenses	188,067	128,182
Notes receivables	283,869	767,197
	13,593,252	15,704,653

- The average credit period granted to trade receivables is 60-90 days. No interest is charged on trade receivables.
- The fair value of guarantees received by the Group from the debtors was KD 4,145,693 as at 31 December 2021 (31 December 2020: KD 5,167,858).
- The ECLs have been estimated in accordance with the simplified approach as per IFRS 9 (Note 3.18).

11. Accounts receivable and other debit balances (Continued)

The following is the movement on the provision for ECLs:

	2021	2020
Balance at beginning of the year	7,310,882	3,178,626
Charged during the year	189,399	4,128,659
Bad debts written off	(21,872)	-
Foreign currency translation differences	-	3,597
	7,478,409	7,310,882

12. Cash and cash equivalents

	2021	2020
Cash on hand and at banks	7,965,024	11,672,051
Cash at investment portfolios	3,511,962	3,514,916
	11,476,986	15,186,967

13. Share capital

The authorized, issued and fully paid up share capital is KD 73,330,387 divided into 733,303,870 shares as at 31 December 2021 / 2020, each of a nominal value of 100 fils. All shares are cash shares.

14. Treasury shares

	2021	2020
Number of shares (share)	20,330,200	20,330,200
Percentage of issued shares (%)	2.77	2.77
Market value (KD)	4,614,955	4,655,616

The Parent Company is committed to keeping reserves, retained earnings and share premium equal to the purchased treasury shares along acquisition period according to the instructions of the concerned regulatory authorities.

15. Statutory reserve

In accordance with the Companies' law and the Parent Company's articles of association, 10% of the net profit for the year, before KFAS contribution, NLST, Zakat expense, and board of directors' remuneration, is transferred to the statutory reserve. The Parent Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except for payment of a dividend of 5% of paid up capital in years when profit is not sufficient for the payment of such dividend.

16. Voluntary reserve

In accordance with the Parent Company's Articles of Association, 10% of the net profit for the year, before KFAS contribution, NLST, Zakat expense, and board of directors' remuneration, is transferred to the voluntary reserve. The Parent Company's board of directors proposed to discontinue the transfer. Such proposal is subject to approval of the shareholders' general assembly. There are no restrictions on the distribution of this reserve. The transfer to the voluntary reserve has been discontinued based on a decision of the Shareholders' General Assembly.

17. Loans, bank facilities and Murabaha

	2021	2020
Non-current portion		
Loans	11,720,000	11,560,001
Murabaha	33,734,617	41,450,712
	45,454,617	53,010,713
Current portion		
Loans	4,840,000	3,840,000
Murabaha	13,511,507	16,690,142
	18,351,507	20,530,142
Total loans, bank facilities and Murabaha	63,806,124	73,540,855

The effective annual interest rate on loans, bank facilities and Murabaha was 2.4% as at 31 December 2021 (31 December 2020: 2.65%).

The loans and Murabaha covenants state that the ratio of net debts to equity should not be more than (0.8:1) and the ratio of liabilities to equity not be more than (1.3:1) and the ratio of finance cost to cash generated from operating activities not less than (3:1).

Loans, bank facilities and Murabaha are denominated in the following currencies as at 31 December:

	2021	2020
KD	61,178,671	70,004,149
USD	2,627,453	3,536,706
	63,806,124	73,540,855

18. Accounts payable and other credit balances

	2021	2020
Suppliers	13,049,132	15,261,233
Accrued interest and expenses	2,969,798	3,099,139
Notes payable	703,017	1,183,027
Clients - advance payments	4,242,220	1,470,388
payable cash dividends	932,101	986,375
Contribution to Kuwait Foundation for the Advancement of Sciences	-	579
Zakat	-	375
Retention	3,500	3,500
Other	9,834	10,521
	21,909,602	22,015,137

19. Cost of sales

	2021	2020
Cost of raw materials	40,276,894	36,726,975
Impairment losses of property, plant and equipment	-	8,143,628
Maintenance and spare parts	2,857,499	2,436,446
Salaries and benefits	3,840,149	3,681,040
Depreciations and amortizations	1,866,140	2,258,928
Rent	417,194	392,176
Other	896,188	805,385
	50,154,064	54,444,578

20. Other operating income

	2021	2020
Net income from investment properties	90,074	87,237
Net profits from exchange differences	12,024	88,583
Other income	347,589	86,044
	449,687	261,864

Other revenues item includes an amount of KD 144,000 representing the financial effects resulted from approval of the shareholders' general assembly on the financial statements for the year ended 31 December 2020 held on 26 May 2021 (Note 24).

21. Net investment profits

	2021	2020
Financial assets at fair value through other comprehensive income		
Cash dividends	923,050	2,751,895
Portfolio management fees	(121,373)	(95,665)
	801,677	2,656,230
Financial assets at fair value through profit or loss		
Change in fair value	(13,644)	-
	(13,644)	-
	788,033	2,656,230

22. Basic and diluted loss per share

Basic and diluted loss per share are calculated by dividing the net loss attributable to Shareholders of the Parent Company for the year by the weighted average of the number of the existing ordinary shares determined based on number of existing shares of issued capital during the year, taking into account treasury shares. The calculation of basic and diluted loss per share is as follows:

	2021	2020
Net loss for the year attributable to Shareholders of the Parent Company (KD)	(2,692,706)	(18,179,210)
Weighted average number of outstanding shares during the year (share)	712,974,671	712,974,671
Basic and diluted loss per share (Fils)	(3.78)	(25.50)

23. Staff costs

Staff costs include wages, salaries, leave, end of service's indemnity and other benefits for the Group's staff. The staff costs for the year ended 31 December 2021 amounted to KD 8,121,716 (31 December 2020: KD 7,942,444).

24. General Assembly of the Parent Company's Shareholders

The General Assembly of the Parent Company's Shareholders held on 26 May 2021 approved the consolidated financial statements for the year ended 31 December 2020 and approved the following:

- Not to distribute cash dividends or bonus shares for 2020
- Amendment of senior management benefits from KD 412,000 to KD 268,000, the financial impact of the same was recognised in other operating income item in the consolidated statement of income for the current financial year.

On 20 March 2022, the Parent Company's Board of Directors Proposed to distribute cash dividends at 5% of paid-up share capital after deducting treasury shares for the year ended 31 December 2021, and not to pay Board of Directors' remunerations for 2021.

25. Related party transactions

Related parties comprise of the Group's shareholders who are members in the board of directors, board of directors, key management personnel, associates, and subsidiaries in which the Company has representatives in their board. In the normal course of business, subject to approval of the Group's management, transactions were made with such parties during the year ended 31 December 2021. Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this Note.

Following is a summary of significant related party transactions and outstanding balances:

	2021	2020
Balances		
Accounts receivable and other debit balances (Note 11)	325,385	559,777
Provision for end of service indemnity	647,364	632,584
Transactions		
Sales	821,496	1,372,873
Committees' fees	179,000	179,000
Senior management salaries and benefits	568,375	712,375

All transactions with related parties are subject to the approval of the Shareholders' General Assembly.

26. Contingent liabilities and capital commitments

	2021	2020
Contingent liabilities		
Letters of guarantee	1,003,225	693,001
Capital commitments		
Letters of Credit	119,090	122,580
Uncalled subscription relating to investments in funds	321,972	321,972
Contracts for importing raw materials	4,067,764	8,962,474
Property, plant and equipment	739,305	856,811

There is a dispute between the Parent Company and a supplier about the financial obligations resulting from the termination of the raw materials supply contract between both parties where that party submitted a financial claim, while Parent Company's management has applied with the Court's judicial arbitration for discharging it from any financial obligations resulting from termination of that contract. During the previous period, a judgment was issued for the release of all the Parent Company's financial obligations towards the supplier. The dispute with the supplier has not been resolved yet and the Parent Company's management believes that the provisions provided are sufficient against all the obligations that might result from this dispute.

27. Segment financial information

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 "Operating Segments". IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the "Executive management" who are the Chief Operating decision-makers in order to allocate resources to the segment and to assess its performance. The Group CEO is identified as a chief operating decision maker for the Group.

27. Segment financial information (Continued)

The management of the Group assessed the Group into two key business units; manufacturing and investments. These businesses are the basis on which the Group reports its primary segment information to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. The manufacturing segment engages in the production and sale of cement & ready – mix cement. The Investment sector which includes investments at FVTOCI, investment at FVTPL, investments in associates and investment properties. The above segments are the basis on which the Group reports its segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis and eliminated on consolidation

Financial information about business segments for the year ended 31 December is as follows:

	2021		
	Manufacturing sector	**Investment sector**	**Total**
Segments revenues	51,353,425	1,661,444	53,014,869
Gross segments (loss) / profit	(2,680,820)	1,661,444	(1,019,376)
Segments assets	171,613,115	123,346,156	294,959,271

	2020		
	Manufacturing sector	**Investment sector**	**Total**
Segments revenues	42,551,269	3,830,662	46,381,931
Gross segments (loss) / profit	(19,594,162)	3,830,662	(15,763,500)
Segments assets	180,907,969	98,140,068	279,048,037

	2021	**2020**
Adjustments:		
Gross segments loss	(1,019,376)	(15,763,500)
Finance charges	(1,707,047)	(2,446,177)
Interest income	25,358	25,905
Net loss of sectors	(2,701,065)	(18,183,772)

Geographical segments:
Financial information about geographical segments for the year ended 31 December is set out below:

	2021		
	Revenues	**Assets**	**Liabilities**
Inside the State of Kuwait	52,350,531	274,885,795	89,584,425
Outside the State of Kuwait	664,338	20,073,476	3,109,586
	53,014,869	294,959,271	92,694,011

	2020		
	Revenues	**Assets**	**Liabilities**
Inside the State of Kuwait	45,243,562	260,370,150	100,174,192
Outside the State of Kuwait	1,138,369	18,677,887	2,841,279
	46,381,931	279,048,037	103,015,471

28. Impact of COVID-19

The coronavirus ("COVID-19") pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. In light of this, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in these consolidated financial statements.

The key areas where the Group has made impact assessment and their conclusions thereon in these consolidated financial statements are described below.

Impairment of property plant and equipment and right-of-use leased assets
The Group has studied whether there is an impairment of property, plant and equipment and right of use assets. The Group has not identified any significant impact on the carrying amount of assets as of 31 December 2021 due to COVID. The Group continuously monitors market forecasts and uses related assumptions to properly incorporate these asset values in the consolidated financial statements.

Valuation of unquoted investment
In determining the impact of Covid-19 on the fair value of the Group's investments, the management has updated the fair value of the unquoted investments and there is no material impact (Note 3.3).

Expected credit losses
Due to the uncertainties caused by COVID-19 and the impact it had on the economy and the markets, the Group reassessed the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 31 December 2021. On the basis of this reassessment and other risk assessment procedures that it performed, management has concluded that there is no material impact of COVID-19.
Going concern
The Group has performed an assessment of whether it is a going concern in the light of current economic conditions using the currently available information about future risks and uncertainties. Projections were made covering the Group's future performance, capital and liquidity using revised estimates of cash flows. Though the impact of COVID-19 continues to evolve, the current projections indicate that the Group has sufficient resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2021. As a result, these consolidated financial statements have been appropriately prepared on a going concern basis.